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**CPUC/CEC Workshop Panel II.B.
Interstate Pipeline Expansions
and/or New Interstate Pipelines**

December 9-10, 2003

Expansion Considerations

Gas Transmission Northwest

- Full subscription of existing system
- Renew existing contracts
- Prefers smaller periodic expansions
- Market pull or supply push

North Baja

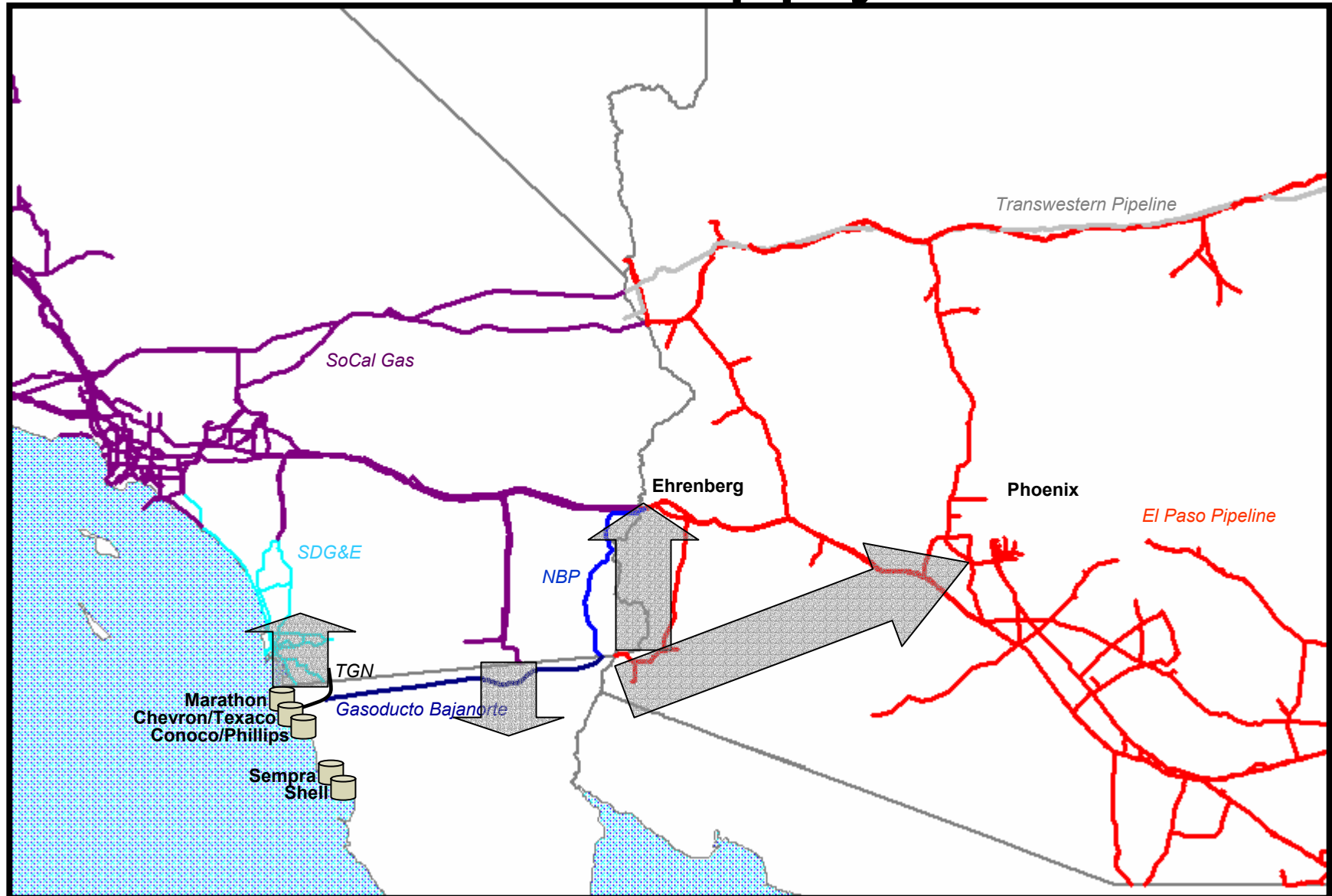
- Existing south flow can be reversed and expanded economically
- Preliminary rates from LNG plant to Ehrenberg (\$/Dth/day):

MMcf/d	500	750	1,000
Plant to GB	\$0.06	\$0.06	\$0.06
GB	\$0.14	\$0.176	\$0.19
NBP	\$0.10	\$0.08	\$0.066
Total	\$0.30	\$0.316	\$0.316

LNG Open Season Results

- Open season closed on September 15, 2003
- Supplier bids of 5.5 Bcf/d
- Precedent agreements in process
- Following terminal decision, NBP expects a project of 0.5 to 1 Bcf/d to Ehrenberg
 - Expandable up to 2 Bcf/d total deliverability
- Subsequent open season for Phoenix Extension closed November 10
 - 0.75 Bcf/d of end-user requests
 - 1.7 Bcf/d of supplier requests
 - Net zero impact on California border via displacement

LNG As New Supply Source



North Baja Pipeline LNG Expansion

Driven by LNG Development

January 2004	Execute Precedent Agreements
January – August 2004	Let market decide which LNG projects will be built
November 2004	Final North Baja project design
February 2005	File applications with CRE and FERC
February 2005-April 2006	Obtain required approvals
April 2006-April 2007	Construction
April 2007	Modified North Baja Pipeline System in-service

Interstate Pipeline Priorities for California Utilities

1. Renew existing contracts and maximize renewal options
 - Evergreen rights
 - ROFR rights
2. Subscribe to currently unsubscribed capacity
 - Pricing, term and credit requirements better than expansion
3. Consider capacity available from LNG development (supply push)
4. Consider contracting for expansion capacity